

## **LBNL – PROCUREMENT STANDARD PRACTICES**

**Section: 15 Subcontracting by Negotiation**

**Subject: 15.10 Profit/Fee Objective**

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**PURPOSE:** This standard practice (SP) outlines the procedures to follow in establishing profit/fee objectives using weighted guidelines analysis.

**POLICY:** A structured analysis will be used to determine a prenegotiation profit/fee objective, or range of objectives, on negotiated actions based on cost analysis.

**SCOPE:** This SP applies to subcontracts for which a profit/fee analysis is required.

### **PROCEDURES:**

**Weighted Guidelines** The attached *Weighted Guidelines Profit/Fee Objective* form (Exhibit 15.10.a) or a comparable computer spreadsheet must be used to document profit/fee objectives determined through factor and weight assignments.

**Documentation** The cost input by element used in weighted guidelines analysis shall be the procurement specialist's cost objectives developed as a result of the cost/price analysis. (See SP 15.6, *Cost or Price Analysis*.) A narrative explaining the rationale used to determine the weight assignments for each cost element must be included as an attachment to the form.

**Role of Cost/Price Analyst** A cost/price analyst may be consulted for assistance in the assessment of appropriate weight assignments and calculation of the profit/fee objective(s).

**Limitations** For cost-type and time-and-material subcontracts, the maximum fee cannot exceed 15% of the total estimated costs for research and development, or 10% of the total estimated costs for non-research and development work.

### **RESPONSIBILITIES:**

**Procurement Specialist** The procurement specialist is responsible for:

- Performing a profit/fee analysis, as required;
- Providing a written rationale of the weight assignments for each cost element; and
- Consulting the cost/price analyst on appropriate weight assignments and calculation of the profit/fee objective, as necessary.

**REFERENCE:** DEAR 915.404-4-70 – *DOE Structured Profit and Fee System*

**LBNL – PROCUREMENT STANDARD PRACTICES****Subject: 15 Subcontracting by Negotiation****Exhibit: 15.10.a Weighted Guidelines Profit/Fee Objective****Weighted Guidelines Profit/Fee Objective**

Name		Division (if any)		
Street Address	City	State	Zip Code	
<b>Type of Acquisition Action</b>				
<input type="checkbox"/> a. Supplies & Equipment		<input type="checkbox"/> d. Architect-Engineer		<input type="checkbox"/> f. Medical
<input type="checkbox"/> b. Research & Development		<input type="checkbox"/> e. Management Services		
<input type="checkbox"/> c. Services, Other (e.g., support services)				
<b>Acquisition Information</b>				
<input type="checkbox"/> a. Purchasing Office		<input type="checkbox"/> c. RFP/RFQ No.		<input type="checkbox"/> e. Contract No.
<input type="checkbox"/> b. Contract Type		<input type="checkbox"/> d. FY		
<b>Profit/Fee Objective Computation</b>				
a. PROFIT/FEE CONSIDERATIONS	b. MEASUREMENT BASE	c. PROFIT/FEE WEIGHT RANGES	d. ASSIGNED WEIGHT	e. PROFIT/FEE DOLLARS (b. x d.)
<b>1. CONTRACT EFFORT</b>				
<b><u>A. Material Acquisitions</u></b>				
Purchased Parts		1 to 3		
Subcontracted Items		1 to 4		
Other Materials		1 to 3		
<b><u>B. Labor Skills</u></b>				
Technical and Managerial				
Scientific		10 to 20		
Project Management/Administration		8 to 20		
Engineering		8 to 14		
Manufacturing		4 to 8		
Support Services		4 to 14		
<b><u>C. Overhead</u></b>				
Technical and Managerial		5 to 8		
Manufacturing		3 to 6		
Support Services		3 to 7		
<b><u>D. Other Direct Costs</u></b>				
<b><u>E. G &amp; A</u></b>				
<b><u>F. Total Contractor Effort Base Costs &amp; Profit Dollars (total of 1A-E)</u></b>				
<b>2. CONTRACTOR RISK</b>				
<b>3. CAPITAL INVESTMENT (FACILITIES)</b>				
<b>4. INDEPENDENT RESEARCH &amp; DEVELOPMENT:</b>				
a. Program Investment				
b. Use of Items Developed		5 to 7		
<b>5. SPECIAL PROGRAM PARTICIPATION</b>				
<b>6. OTHER CONSIDERATIONS</b>				
<b>7. PRODUCTIVITY/PERFORMANCE ADJUSTMENT</b>				
<b>8. TOTAL PROFIT/FEE OBJECTIVE</b>				
(Total of 1F, 2, 3, 4, 5, 6, & 7 Col. e)				

## **LBNL – PROCUREMENT STANDARD PRACTICES**

**Subject: 15 Subcontracting by Negotiation**

**Exhibit: 15.10.a Weighted Guidelines Profit/Fee Objective**

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### **Summary Contract Price Objective**

a. Base Cost (Line 1F, Col. b)	_____
b. IR & D Costs (Line 4a, Col. b)	_____
c. Subtotal	_____
d. Facilities Capital Cost of Money	_____
e. Total Prospective Cost	_____
f. Profit or Fee Objective (Line 8, Col. e)	_____
g. Profit or Fee Objective Percentage (f/c)	_____

REMARKS: \_\_\_\_\_

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Prepared By	Date
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Signature	Date
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